

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 2931
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION USNATO
USNMR SHAPE

C O N F I D E N T I A L SECTION 1 OF 3 THE HAGUE 3756

SHAPE FOR POLAD
BRUSSELS ALSO FOR USEEC; PARIS ALSO FOR USOECD;
GENEVA ALSO FOR USMTN

E.O. 11652: GDS
TAGS: PINT PGOV NL
SUBJECT: THE DUTCH GOVERNMENT AFTER ONE-HALF YEAR

1. SUMMARY: AFTER SIX MONTHS OF WRESTLING WITH A
FORMIDABLE PARLIAMENTARY OPPOSITION (AND WITH A GROUP OF
INDEPENDENT-MINDED CHRISTIAN DEMOCRATS) IN PARLIAMENT,
THE VAN AGT GOVERNMENT REMAINS IN POWER HAS HAS, IN FACT,
EMERGED FROM ITS FIRST SIX MONTHS SOMEWHAT STRENGTHENED.
HOWEVER, MANY ELEMENTS OF WEAKNESS WHICH WERE PRESENT
WHEN THE GOVERNMENT TOOK OFFICE IN DECEMBER 1977--A
NARROW MAJORITY, INEXPERIENCED MINISTERS, AND SERIOUS
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ECONOMIC PROBLEMS--HAVE NOT BEEN REMOVED OR RESOLVED.
THE CABINET WILL FACE A MAJOR TEST DURING THE AUTOMN
WHEN ITS LONG DELAYED ECONOMY PLAN WILL BE DEBATED ALONG
WITH THE 1979 BUDGET. AT THE VERY FACT IT HAS SURVIVED THE
FIRST SIX MONTHS ADDS TO ITS VIABILITY; ITS GROWING
ACCEPTABILITY AMONG THE POPULATION AND THE LACK OF A
MEANINGFUL ALTERNATIVE MEAN THAT, BARRING ACCIDENTS, THE

GOVERNMENT IS LIKELY TO REMAIN IN PLACE UNTIL THE END OF ITS TERM IN 1981. END SUMMARY.

2. THE PRESENT GOVERNMENT TURNED OUT TO BE DIFFERENT FROM WHAT MOST PEOPLE EXPECTED FOLLOWING THE NATIONAL ELECTIONS IN MAY 1977. THE LABOR PARTY (PVDA) HAD BECOME THE LARGEST PARTY IN THE SECOND CHAMBER (53 OUT OF 150 SEATS) AND SEEMED SURE TO REMAIN IN THE NEXT GOVERNMENT. HOWEVER, CARE-TAKER PRIME MINISTER VAN UYL WAS UNABLE TO MAINTAIN PVDA UNITY DURING CABINET FORMATION, AND THE CENTRIST CHRISTIAN DEMOCRATIC APPEAL (CDA) TURNED TO THE LIBERAL PARTY (VVC) TO FORM A CABINET. PRIME MINISTER VAN AGT (CDA) BASED HIS GOVERNMENT ON A CDA/VVD COALITION NUMBERING ONLY 77 SEATS, A SLIM MAJORITY OF TWO.

3. THE CABINET BEGAN WITH SERIOUS WEAKNESSES. FEW PEOPLE EXPECTED IT TO LAST BEYOND THE FIRST MAJOR OPPOSITION MOUNTED BY THE LABOR PARTY. SEVEN CDA MEMBERS VOICED DISAPPOINTMENT WITH THE GOVERNMENT POLICY DOCUMENT AND SEEMED TO FAVOR PVDA POSITIONS ON SOCIAL-ECONOMIC ISSUES. GOOD MEN FOR THE CABINET WERE RELUCTANT TO JOIN A GOVERNMENT WITH WHAT SEEMED TO BE A DIM FUTURE. MANY OF THOSE WHO CONSENTED TO SERVE WERE UNKNOWN OR SEEMED UNEQUAL TO MINISTERIAL LEVEL TASKS.

4. IN ADDITION TO THESE WEAKNESSES--SHORT LIFE EXPECTANCY, CONFIDENTIAL

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SHAKY NARROW MAJORITY, LACK OF POLITICALLY EXPERIENCED MINISTERS--THE CABINET FACED A PUBLIC UNUSED TO THE IDEA OF A COALITION WITHOUT THE PVDA. (THE SOCIALISTS HAD DOMINATED THE GOVERNMENT FOR THE PREVIOUS FOUR YEARS). ITS MAJOR PROBLEM WAS HOW TO COPE WITH ECONOMIC DIFFICULTIES. GOVERNMENT ECONOMIES HAD ALREADY BEEN PLANNED BY THE FORMER CABINET. BUT NOW THE NEW CENTER-RIGHT CABINET MOVED TO MAKE MUCH MORE FAR REACHING CUTS IN THE POLITICALLY SENSITIVE SOCIAL SECTOR. IT WAS OPPOSED BY MOST OF THE WELL ORGANIZED TRADE UNION MOVEMENT WHICH WAS STILL NOT RECONCILED TO SEEING ITS "FRIEND" IN GOVERNMENT, THE LABOR PARTY, OUT OF POWER. AS IT DEVELOPED, HOWEVER, THE CABINET HELD BACK AND DID NOT RELEASE ITS ECONOMY PLAN UNTIL THE DAY AFTER PARLIAMENT RECESSED FOR SUMMER (SEE THE HAGUE 3546).

5. THE NEW CABINET DID NOT ENJOY A GRACE PERIOD WHEN PARLIAMENT CONVENED SIX MONTHS AGO. PERSONAL ANIMOSITIES BETWEEN SOCIALISTS AND CHRISTIAN DEMOCRATS, HEIGHTENED BY DISAGREEMENTS RESULTING FROM THE LONG FORMATION EFFORTS, WERE IMMEDIATELY EVIDENT. THE OPPOSITION QUICKLY RAISED TWO THORNY PROBLEMS, BOTH OF WHICH INVOLVED

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SHAPE FOR POLAD
BRUSSELS ALSO FOR USEEC; PARIS ALSO FOR USOECD;
GENEVA ALSO FOR USMTN
US POLICY AND NEITHER OF WHICH HAS BEEN FINALLY RESOLVED:
URENCO SUPPLY OF ENRICHED URANIUM TO BRAZIL AND THE
ENHANCED RADIATION WEAPON (ERW). NON-PROLIFERATION HAS
MANY SUPPORTERS IN THE NETHERLANDS, INCLUDING
MEMBERS OF THE CDA FACTION IN PARLIAMENT, AND WITH THE
RUENCO ISSUE THE SOCIALISTS SEIZED THE CHANCE TO CREATE
A POLITICAL SITUATION DESIGNED TO SPLIT THE CDA. THEY DRAFTED
A MOTION REQUIRING THE GOVERNMENT TO NEGOTIATE GREATER
SAFEGUARDS INTO THE URENCO AGREEMENT, THEREBY COMPELLING THE
CDA--BECAUSE IT WAS ALREADY ON RECORD AS STRONGLY FAVORING
NON-PROLIFERATION--TO GO ALONG. THE ISSUE WAS DEBATED
SEVERAL TIMES AND IT WAS NOT UNTIL THE DAY BEFORE THE SUMMER
RECESS THAT PRIME MINISTER VAN AGT WAS ABLE FINALLY TO AVOID
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A CABINET CRISIS BY ASSERTING THAT THE GOVERNMENT HAD DONE ALL THAT IT COULD TO COMPLY WITH THE MOTION, AND THAT THE GOVERNMENT COULD GO NO FURTHER THAN TO AGREE TO KEEP PARLIAMENT INFORMED OF ANY FURTHER PROGRESS TOWARD A PLUTONIUM STORAGE ARRANGEMENT (SEE THE AGUE 3662).

6. ON THE SECOND PROBLEM, THE ERW, THE GOVERNMENT WAS FACED WITH A NATION WIDE CAMPAIGN WHICH ULTIMATLEY PRODUCED A PETITION AGAINST ERW WITH MORE THAN A MILLION SIGNATURES. THE GOVERNMENT COULD NOT MUSTER PARLIAMENTARY APPROVAL FOR ANY MOTION WHICH WOULD LEAVE IT ROOM TO DECIDE FOR OR AGAINST THE WEAPON WHEN THE TIME CAME. THE GOVERNMENT STILL HAS ITS HANDS TIED BY PARLIAMENT BECAUSE IT HAS NOT CHALLENGED A MOTION CALLING ON THE GOVERNMENT TO MAKE KNOWN PARLIAMENT'S OPPOSITION TO US PRODUCTION OF THE WEAPON. ON THE OTHER HAND, THE GOVERNMENT WAS NOT SIGNIFICANTLY DAMAGED BY THE RESIGNATION OF FORMER DEFENSE MINISTER KRUISINGA WHO, IN THE PUBLIC VIEW, RESIGNED BECAUSE HE COULD NOT SUPPORT THE GOVERNMENT ON THE ERW.

7. SOME OF THE MOST SEVERE PROBLEMS CONFRONTING THE GOVERNMENT ARE ECONOMIC. THE ECONOMY HAS SHOWN LITTLE IMPROVEMENT SINCE THE NEW GOVERNMENT TOOK OFFICE AND CONTINUES TO BE MARKED BY A LOW RATE OF INVESTMENT, FLAT INDUSTRIAL PRODUCTION, AND A HIGH LEVEL OF UNEMPLOYMENT BY DUTCH STANDARDS. THE ONLY BRIGHT SPOTS ARE THE STEADY DECLINE IN INFLATION TOWARD AN ANNUAL RATE OF ABOUT FOUR PERCENT AND AN APPARENT RISE IN CONSUMPTION BY ABOUT FOUR PERCENT IN THE FIRST QUARTER OF 1978. TO SPUR COUNTRYWIDE INVESTMENT AND REDUCE UNEMPLOYMENT, AND TO ENCOURAGE INVESTMENT IN LESS DEVELOPED AREAS OF THE COUNTRY, IN LATE MAY THE SECOND CHAMBER OF PARLIAMENT PASSED THE INVESTMENT ACCOUNT BILL, ONE OF THE MAJOR PIECES OF

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DUTCH DOMESTIC LEGISLATION IN RECENT YEARS. THE ACT PROVIDES 13 BILLION GUILDERS (US\$EQUAL 2.23) TO BE DISPERSED OVER THE PERIOD 1978 TO 1982 THROUGH A SYSTEM OF INVESTMENT TAX CREDITS AND PREMIUMS. JUST AFTER PARLIAMENT RECESSED, THE GOVERNMENT PUBLISHED ITS LONG-AWAITED ECONOMY PLAN, AN ANNOUNCEMENT OF THE ECONOMIC OUTLOOK THROUGH 1981 AND GOVERNMENT FISCAL POLICY DURING THAT PERIOD. THE PROPOSALS CALL FOR A REDUCTION IN PLANNED INCREASE IN PUBLIC EXPENDITURE BY 10 BILLION GUILDERS DURING 1979 THROUGH QOIQ TO IMPORVE PROFITABILITY IN THE PRIVATE SECTOR, ENCOURAGE INVESTMENT AND REDUCE UNEMPLOYMENT AND INFLATION. IN SPITE OF THESE PLANS, THE GOVERNMENT HAS COMMITTED ITSELF TO A THREE PERCENT INCREASE IN DEFENSE EXPENDITURE. PARLIAMENT WILL BEBATE THESE PROPOSALS AND THE 1979 BUDGET BEGINNING IN

SEPTEMBER. THE DEBATES WILL BE ANOTHER TEST OF THE SUR-VIVABILITY OF THE VAN AGT CABINET. IT APPEARS LIKELY THAT ITS ECONOMIC PROGRAM AND BUDGET AMY GET THROUGH BUT AT THE PRICE OF COMPROMISES THAT WOULD MAKE IT DIFFICULT FOR THE GOVERNMENT TO REALIZE SOME OF ITS ECONOMIC GOALS.

8. SOME GAINS. ELECTIONS TO THE PROVINCIAL LEGISLATURES IN MARCH AND LOCAL ELECTIONS IN MAY RELIEVED MAJOR PRESSURE ON THE GOVERNMENT. IN THE PROVINCIAL ELECTIONS, THE CHRISTIAN DEMOCRATS BECAME THE LARGEST PARTY IN THE NETHERLANDS, RECEIVING A FEW MORE VOTES THAN THE SOVIALISTS (PVDA). THIS UNEXPECTED CDA "VICTORY" HAD THE EFFECT OF REMOVING THE STAIN OF ILLEGITIMACY FROM THE CABINET AND OF FORCING PVDA LEADERS TO REASSESS THEIR CHANCES FOR ELECTORAL SUCCESS SHOULD THEY MANAGE TO BRING THE CABINET DOWN. AT THE END OF MAY, THE LOCAL ELECTIONS, ALTHOUGH HAVING LITTLE DIRECT NATIONAL RELEVANCE, SAW MAJOR CDA GAINS, FURTHER DARKENING SOCIALIST ESTIMATES OF POTENTIAL

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SHAPE FOR POLAD
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BALLOT BOX SUCCESS. CDA PRIME MINISTER VAN AGT CLAIMED THESE CDA WINS AS EXPRESSIONS OF APPROVAL FOR THE CDA/VVD CABINET. (A SECONDARY ASPECT OF THE RELATIVE DECLINE OF THE LABOR PARTY AND THE IMPROVEMENT OF THE GOVERNMENT HAS BEEN THE PERSONAL DAMAGE TO DEN UYL--A SUBJECT DISCUSSED IN THE HAGUE 1879, AND TO WHICH WE WILL RETURN IN ANOTHER MESSAGE.)

9. EVEN THOUGH THE SPECTRE OF A POTENTIAL LABOR PARTY ELECTORAL VICTORY HAS BEEN REDUCED--AND WITH IT THE EARLY PROSPECT OF THE LABOR PARTY AS AN ALTERNATIVE GOVERNMENT--THE VAN AGT CABINET STILL DOES NOT DISPLAY CHARISMATIC LEADER-CONFIDENTIAL

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SHIP. THE UNPREDICTABLE VAN AGT, WHILE SOMETIMES SUCCESSFUL IN PARLIAMENT (ON URENCO, FOR EXAMPLE). HAS ALSO STUMBLER (IN MID JUNE, ON THE ECONOMY PLAN). MINISTER OF FOREIGN AFFAIRS VAN DER KLAUW STUMBLES CONSISTENTLY. OTHER MINISTERS, SUCH AS TUIJNMAN, OF TRANSPORT AND PUBLIC WORKS, AND VAN AARDENNE, OF ECONOMICS, HAVE PERFORMED POORLY. PERHAPS THE WORST PERFORMANCE WAS BY THE CABINET AS A WHOLE, HOWEVER, IN NOT READYING THE ECONOMY PLAN IN TIME TO BE DEBATED BY PARLIAMENT BEFORE THE SUMMER RECESS, AS HAD BEEN PROMISED.

10. ON THE OTHER HAND, THE DELAY IN PRESENTING THE ECONOMY PLAN, AS ON A NUMBER OF MINOR ISSUES, MAY PROVE A TACTIC WITH FEW ADVERSE POLITICAL CONSEQUENCES. IN THE NETHERLANDS, RAPID CABINET DECISIONS AND DECISIVE LEADERSHIP ARE NOT THE NORMS. ANOTHER RECENT GOVERNMENT WITH AN IMAGE OF PROGNOSTICATION AND WEAKNESS, THE DE JONG CABINET (1967-71), SERVED ITS FULL TERM. EVEN THE PREVIOUS (1973-77) SOCIALIST-LED GOVERNMENT PUT OFF A NUMBER OF DIFFICULT ISSUES. ALTHOUGH THE OPPOSITION NOW ROUNDLY CRITICIZES THE GOVERNMENT FOR DELAYS (A CHARGE INCREASINGLY ECHOED AMONG FRIENDS OF THE GOVERNMENT), ELECTION RESULTS BEAR OUT THE INTERPRETATION THAT MUCH OF THE PUBLIC PREFERS A RESPITE FROM THE CONTINUAL CHANGE PUSHED BY THE PREVIOUS SOCIALIST-LET GOVERNMENT. THE VAGUENESS OF VAN AGT MAY YET CARRY THE DAY.

1. PROSPECTS. SOME ELEMENTS OF WEAKNESS REMAIN. THE TWO SEAT MAJORITY, THOUGH AMPLIFIED BY SEVERAL VOTES FROM SMALLER CONSERVATIVE PARTIES UPON OCCASION, STILL PRESENTS AN OBVIOUS DIFFICULTY. THE SEVEN CDA MEMBERS OF PARLIAMENT WHOSE LEFTIST SOCIAL-ECONOMIC IDEAS GIVE THEM DIFFICULTY IN SUPPORTING CABINET POSITIONS CONFIDENTIAL

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STILL REMAIN AS HUNTING TERRITORY FOR THE PVDA, AND THE LABOR PARTY'S TACTIC WILL CONTINUE TO BE TO TRY TO SPLIT CDA SUPPORT BY WOOLING SYMPATHIZERS FOR PVDA PROGRAMS. ANOTHER WEAKNESS LIES IN THE MODIOCRE LEVEL OF MINISTERIAL PERFORMANCE, ALTHOUGH SOME MINISTERS MAY IMPROVE WITH EXPERIENCE. THE FOREIGN MINISTER CONTINUES TO BE BY FAR THE WEAKEST MINISTER AND IS CONSIDERED BY MANY TO BE A LIABILITY BY HIS PARTY.

12. THE VAN AGT GOVERNMENT HAS FACED SOME DIFFICULT ISSUES, AND THROUGH SUCCESSES (URENCO, THREE PERCENT DEFENSE INCREASE, LANCE, NUCLEAR ROLE CONTINUATION) HAS ACQUIRED SOME STRENGTH. IN ADDITION, BY HANGING ON AND JUST BEING THERE, THE CABINET HAS ALSO INCREASED ITS STRENGTH. THE TWO ELECTIONS THIS SPRING WERE CRITICAL IN REVEALING INCREASED CDA SUPPORT AMONG VOTERS AND, CORRESPONDINGLY, REDUCING THE THREAT OF THE LABOR PARTY. WE, THEREFORE, CONCLUDE THAT, BARRING ACCIDENTS, THE PRESENT GOVERNMENT WILL PROBABLY SERVE OUT ITS FULL TERM, A PROSPECT WHICH SEEMED MUCH LESS LIKELY SIX MONTHS AGO.

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